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U.S. grapefruit for frozen concentrate, one of the products going into the big U.K. market.

EC Prices May Retard Some U.S. Farm Exports

By Omero Sabatini

U.S. exports of grain and oilseeds to the European Community are likely to be impacted by some of the new EC price and policy changes for commodities regulated by the EC's Common Agricultural Policy. U.S. oilseed exports will be affected primarily by policy actions related to the dairy sector. Farm organizations in the EC have criticized the price rises as inadequate.

Some price and policy changes put into effect by the European Community (EC) recently for commodities regulated by the EC's Common Agricultural Policy (CAP) are likely to impact U.S. exports of grain and oilseeds to the EC, with oilseed exports affected primarily by EC actions in the dairy sector.

In terms of units of account, the EC farm price package approved for 1977/78 calls for a relatively modest increase (partly to hold down inflation) of less than 4 percent, instead of the traditional 7-10 percent.

However, because of the impact of the green rates, the increase in the new prices will average less in strong-currency member countries and more in the weak-currency countries.

In the United Kingdom, Ireland, and Denmark, the EC-determined prices of some commodities will be lower than those reported here until January 1, when the agricultural price policies of these countries are scheduled to be fully integrated with those of the other members.

Grains. The target prices of corn and barley have been raised a hefty 5.2 percent to nearly 145 u.a. per ton. As a result, minimum import prices for these grains will increase by a corresponding percentage.

At the start of the 1977/78 (August-July) marketing year, the minimum import price for corn is 142 u.a. per metric ton, compared with approximately 135 u.a. a year earlier.

At the beginning of 1976/77, the price of U.S. No. 3 yellow corn, delivered at Rotterdam, averaged the equivalent of about 95 u.a. per ton, compared with roughly 72 u.a. at the start of July 1977. In the next several weeks the Rotterdam price is expected to be lower than at the start of July.

The discount of 3 u.a. per ton on the variable levy applicable to corn imported into Italy will be continued in 1977/78.

In addition to the increase in the minimum import price, other aspects of the EC's 1977/78 grain-pricing policy will have a long-run adverse impact on U.S. exports to the Community.

In 1978/77, the EC eliminated the single support price for all soft wheat and set the support level for feed wheat at 15 u.a. per ton below the support price of soft wheat of breadmaking quality.

This change represented a drop of up to 10 u.a. per ton (depending on the region) in the support level of feed-quality wheat from 1975/76 to 1976/77. Concurrently, the EC raised the support price for corn by a higher percent than for barley and thus considerably narrowed the differences between the support prices of the three grains.

In 1977/78, as a further step toward the stated objective of establishing a single support price for all feedgrains, the EC again will boost the support price of corn more than the support prices of barley and feed wheat.

But, while narrowing the differences in the support price of feedgrain, in 1977/78 the EC will continue to widen the gap between the target prices of the various feedgrains and their respective support prices.

These policies are intended to:

- Encourage greater use of soft wheat for feed within the EC as a substitute for imported feedgrain, largely corn, without the cost of denaturing premiums;
- Stimulate production of corn, in spite of the serious climate-related problems in expanding output;
- Reduce intervention buying of wheat and other grains by putting greater reliance on the target and minimum import prices to support the domestic market.

By raising the support price of corn and alining it with support price of feed wheat and barley, the EC is in fact creating a situation whereby feed wheat within the Community is either fed on the farm or sold to EC feeders and compounders at prices competitive with corn in preference to being sold into intervention.

In 1975/76, the basic support price for feed wheat was 22 percent higher than for corn, compared with less than 2 percent in 1977/78.

Protected by the high variable import levies, the domestic feedgrain market is given more leeway to determine internally the price relationships among the various crops.

Since the difference between the support and target prices (hence between the support and minimum import prices) is widening, feedgrain prices can fluctuate more broadly within the EC. At the same time, because of the EC's considerable reliance on grain imports, the steep minimum import price tends to keep the price of domestic grains high, thus lessening the need for making intervention purchases, and for subsidizing exports of surplus intervention stocks.

However, the EC may not be fully successful in achieving these aims, and feed wheat may not be able to compete with corn as effectively as envisaged in the formulation of EC grain policies. Also, the same EC price relationships that have a direct adverse impact on exports of U.S. grains to the EC may also result, in the long run, in a reduction of EC

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Target and Support Prices Reflect EC Farm Goals

The basic farm prices set by the European Community consist of target and support prices.

Target prices—*termed guide, or orientation, prices for some items—represent the levels the EC wants market prices to approximate. For grains the target prices are used to determine the minimum import (threshold) prices by taking into account transportation and handling costs from port of entry.*

Support prices—*called intervention prices in the EC—are the levels at which the EC member countries make purchases to provide a price floor for farmers.*

Agricultural prices are set by the EC in units of account (u.a.), which are converted to national currencies of member countries by applying the so-called green rates (rates of exchange used to convert units of account to national currencies in transactions covered by the CAP).

From the beginning (in May 1971) of the current float in foreign exchange rates, the green rates have differed from the actual market rates of exchange, except for Denmark.

To offset the difference between market rates and green rates and to maintain a semblance of common prices throughout the Community, the EC operates a system of monetary compensatory amounts (MCA's).

EC countries that have revalued their market currencies in relation to their green currencies—West Germany, Belgium, the Netherlands, and Luxembourg—MCA's are, in effect, taxes on imports and subsidies on exports.

For other member countries except Denmark, MCA's are applied as subsidies on imports and taxes on exports. because these countries have devalued their market currencies in relation to their green currencies. MCA's do not apply to Denmark.

In mid-July 1977, 1 u.a. was roughly equal to US$1.35, on the basis of actual market rates of exchange between the dollar and the various EC national currencies.

This rate, which may vary weekly by a few cents, is generally used to make quick and rough comparisons between the u.a. and the dollar.

However, for commercial transactions covered by the CAP, the $1.35 = 1 u.a. rate does not take into account the green-rate adjustments.

wheat available for export to third countries.

For 1977/78, the EC also has introduced an additional change in the wheat price support system. The intervention price for soft wheat of milling quality will be replaced with a reference price, which has been set at 135.59 u.a. per ton.

Automatic intervention for this type of wheat has been formally abolished, but at least for the present the EC has committed itself to take measures to support the milling wheat market at the reference price level during the 1977/78 marketing season.

This commitment includes support buying at the reference price during the first 3 months of the marketing year and—if necessary—during the final quarter of the year.

For the rest of the year, storage and trans-Community transportation subsidies are a possibility. The EC Commission also envisages pursuing an active export policy to support the price of milling wheat, and proposes that up to 400,000 tons of milling soft wheat, which may be sold into intervention, be reserved for possible transfer to Italy.

The target price of milling wheat has been retained at the same level as the target price of feed wheat. The initial minimum import price will be approximately 155 u.a. per ton, up from 149.3 u.a. a year earlier.

For Durum wheat, the new target price is 224.27 u.a., up 2.5 percent from the 1976/77 level. The support price is 203.01 u.a., up .05 percent. The producer subsidy—limited to certain regions of Italy—is 60 u.a. per hectare, up 20 percent, and the initial minimum import price will be up to 2.4 percent to about 221 u.a. per ton.

Dairy. The price increases for dairy producers effective May 1, 1977, have been set in conjunction with consumer subsidies on butter and—potentially more important—with the approval of a rationalization plan for the structural reform of the European Community's dairy sector.

The ultimate aim of this wide-ranging and controversial plan is elimination of a chronic surplus in EC dairy production.

Consumer subsidies on butter may be granted by all member countries and be financed in part by the EC. Special provisions apply to

EC: Value of 1 Unit of Account in Member State Currencies

Currency unit	National units of currency to 1 u.a. 1977/78	Previous	Monetary Compensatory Amounts 1977/78	Previous
	Value		Percent	
West German deutsche mark	3.413	3.481	7.5	9.3
Belgian franc / Luxembourg franc	49.349	(1)	1.4	(1)
Dutch guilder	3.403	(1)	1.4	(1)
Irish pound	0.740	0.693	4.6	11.6
French franc	5.781	5.633	14.3	17.3
Italian lira	1,030	963	14.8	22.8
U.K. pound	0.588	0.570	32.3	36.3
Danish krone	8.138	7.894	0	0

[1] Unchanged.

Harvesting small grains in France, the most important grain producer in the European Community. Prices of EC-regulated grains have been increased recently.

the United Kingdom, where through March 1978 consumers will benefit from a subsidy of 330 u.a. per ton, financed entirely by the EC. This particular aid to the United Kingdom is to be phased out gradually after March 1978 and ended by January 1979.

The main elements in the dairy rationalization plan are:

• Premiums for not marketing milk and for converting herds from dairy to beef in countries other than Italy;

• Levying a coresponsibility (marketing) fee on milk to bring about some producer participation in expenses incurred in disposal of surplus production.

The premium for withholding milk from market is 95 percent of the milk target price for farmers producing up to 30 tons of milk in 1976. The payment is reduced to 90 percent of the target price for production of up to 50 tons and to 75 percent for amounts of up to a maximum of 120 tons. Only farmers who agree in writing to withhold milk from the market for 5 years and to other conditions are eligible for nonmarketing payments.

The herd conversion premium is set at 90 percent of the milk target price for 1976 milk production up to a maximum of 120 tons. To receive the conversion premium, a dairy farm must begin converting its dairy herd within 6 months of signing the agreement and must convert 80 percent of its herd within 3 years.

The unofficial goal is to reduce the dairy herd by 1.24 million cows, or approximately 5 percent of the 1975 total, in 3 years. This program, too, could adversely affect U.S. exports, since dairy animals in the EC in general consume greater amounts of concentrates than beef animals. Previous EC programs to convert herds from dairy to beef have produced poor results.

The marketing (co-responsibility) fee goes into effect September 16. It will be 1.5 percent of the target price on milk and will be levied on all quantities sold to dairies, except in certain mountainous and other less favored areas.

Before the fee is introduced, the EC Commission will report to the Council of Ministers on the administrative difficulties involved in applying it in Italy. Proceeds from the fee will be used to promote the use of dairy products and to subsidize their export.

The Council of Ministers has authorized the Commission to grant special subisidies for liquid skim milk fed to hogs and for so-called "fresh" nonfat dry milk used in hog and poultry rations. "Fresh" refers to nonfat dry milk not held in intervention. Subsidies on amounts held in intervention are already in effect. All these subsidies result in displacement of imported soybean meal. The subsidy for the use of liquid skim milk as hog feed has been set at 55 u.a. per ton, effective June 1, 1977.

Other features of the program for the structural reform of the dairy sector include:

• Suspension through 1979 of aid for purchase of dairy cows;

• Slaughter premiums for animals affected by specified diseases;

• Supplying low-priced milk to schools;

• Introduction by mid-September of additional measures to boost butter consumption.

These butter promotion measures will be enacted as the alternative to the tax on vegetable and marine oils, which at one time had been proposed by the EC Commission to make margarine less competitive with butter.

The United States was opposed to this tax, considering it an indirect levy on soybeans.

Beef. The guide, or orientation, price for beef, used to determine the level at which support measures are taken, is 1,229 u.a. per ton (live weight), effective May 1, 1977. The intervention price is 1,106.10 u.a. per ton. As in 1976/77, intervention purchasers of certain types of meat can be suspended by member countries under specified market conditions.

As an alternative to the intervention system, the authorization to member countries to grant variable slaughter premiums for certain beef animals has been extended to the end of the 1977/78 marketing year. Producers who opt for the slaughter premium cannot sell into intervention the meat from animals on which premiums have been paid.

Although all member countries may use the slaughter premium alternative, only the United Kingdom applies it. The British always have been strong advocates of this system, and hope to see it made a permanent feature of the EC policy on beef.

The EC premium on each calf born in Italy and kept at least 6 months has been maintained for 1977/78 and increased from 28 to 35 u.a. per head.

Oilseeds. The EC's intervention purchases of rapeseed this marketing year will be limited to varieties with erucic acid content of less than 10 percent.

The target price of rapeseed has been increased by a relatively modest 3.5 percent, compared with 7.5 percent for soybeans. Basically, if the EC target (guide) price for soybeans is higher than the EC-calculated average world price for soybeans, producers receive the difference between the two prices.

In spite of efforts to promote soybean production, EC output continues to be negligible. France is virtually the only EC producer, with but 2,000 hectares of soybeans planted in 1976.

Other products. Efforts are continuing to reduce the troublesome wine surplus that has strained CAP operations, especially those between France and Italy. The basic ban on new plantings remains in effect through November 1978.

The subsidy for converting vineyards to other uses will be 1,500 u.a. per hectare in 1977/78 and 1978/79. This subsidy originally had been scheduled for a slight reduction in the coming year. Additional legislation is expected to be enacted by September 1977.

Italy is seeking the formulation of an EC wine policy within the framework of the possible entry into the EC of other wine-producing Mediterranean countries.

New hop regulations include a ban on new plantings through 1978, establishment of a quality certificate system for domestic and imported hops, strengthening the role of producer groups to balance supply and demand, and subsidies for variety improvements.

To assist recovery from the 1976 drought, the subsidy on production of dehydrated fodder has been increased 6 percent to 9.55 u.a. per ton.

Because of the expanding capacity for production of high-fructose corn syrup (isoglucose) and its competition with beet sugar, the EC has enacted a common policy for this product. For 1977/78, a production fee of up to 50 u.a. per ton of dry matter will be charged. This is designated to curb the isoglucose industry in the EC and consequently will tend to impede imports of corn.

Several increases in price and/or marketing premiums have been granted for various fruits and vegetables. For citrus fruit, the Commission will reexamine the method for calculating the reference price (which serves as the minimum import price) and the links between the trends of reference price, support price, and marketing premiums.

Increases in tobacco prices, in view of the continued need for export subsidies, were generally modest for varieties produced in excess of demand.

Price boosts are a little larger, however, for varieties in steady demand.

The increase in the norm price (producer target price) varies between zero and 4 percent. Premiums paid to buyers of most domestic leaf have been boosted by as much as 8 percent, but are unchanged for certain Italian varieties.

Agrimonetary actions. In principle, the new green rates go into effect at the beginning of the marketing year for each commodity. However, in France, Italy, and Ireland, the 1977/78 green rates went into effect April 1 for dairy products, beef, pork, and certain other commodities. In the United Kingdom, the new green rate of exchange for the dairy sector will go into effect April 1, 1978, with two transitional rates applying in the interim. The new rate for pork has been in effect since May 1 of this year.

MCA's are fixed for the entire marketing year for countries in the joint float (West Germany and the Benelux countries), but are announced as often as weekly for the other four countries and may vary significantly from the basic rates. They also may vary for certain products traded among specified countries.

Basically, the MCA percent notes are applied to intervention (support) prices. In trade with non-EC countries, MCA's are added to the

". . . The same EC price relationships that have a direct adverse impact on exports of U.S. grains to the EC may also result, in the long run, in a reduction of EC wheat available to export to third countries."

EC Target Prices[1] for Selected Agricultural Products, 1973/74-1977/78

Commodity	1973/74	1974/75 Through 10/6/74	1974/75 From 10/7/74 through end of marketing year	1975/76	1976/77	1977/78	Increase from 1976/77 to 1977/78
	U.A. per MT	U.A. per MT	U.A. per MT	U.A. per MT	U.A. per MT	U.A. per MT	U.A. per MT
Soft wheat, bread and feed	114.94	121.84	127.93	139.44	152.00	158.08	4.0
Durum wheat	133.93	182.83	191.97	207.33	218.80	224.27	2.5
Corn	102.77	109.45	114.92	126.41	137.80	144.97	5.2
Barley	105.29	110.55	116.08	126.99	137.80	144.97	5.2
Rye	112.30	119.04	124.99	138.74	149.15	155.12	4.0
Rice, husked	213.25	226.00	237.30	261.03	284.52	295.38	3.8
Sugar, white	248.00	265.50	278.80	320.50	348.70	363.30	4.2
Olive oil—producer	1,371.70	1,371.70	1,440.30	1.850.00	1,850.00	1,877.80	1.5
Market	950.00	950.00	1,018.60	1,499.60	1,448.90	[2]1,419.10	[2]-2.1
Soybeans	(3)	(3)	233.10	261.10	285.00	306.40	7.5
Rapeseed	210.60	219.00	230.00	255.30	275.70	285.30	3.5
Sunflowerseed	212.60	225.40	236.70	265.10	286.30	307.80	7.5
Milk	124.20	134.10	140.80	[4]155.90	[4]167.60	173.50	3.5
Cattle, live weight, orientation price[5]	862.00	965.00	1,013.30	1,099.40	1,187.40	1,229.00	3.5
Calves, live weight orientation price[5]	1,037.50	1,130.00	1,186.50	1,287.40	1,390.40	0	(3)
Hogs, carcass weight basic price[5]	860.00	(3)	976.50	1,060.00	1,144.80	1,202.00	5.0

1The target price represents the level the EC wants the market price to approximate. Threshold, or minimum import, prices are derived from target prices by subtracting transportation and other costs incurred between the point of entry and the area for which the target price is fixed. The target price for milk is the average amount that EC wishes the farmer to receive for whole milk delivered to the dairy. Support purchases, however, are made only for nonfat dry milk and butter (as well as some types of Italian cheese). Support prices, termed intervention prices by the EC, are the level at which the EC makes purchases to provide price protection to farmers. These are beginning season prices, subject in some cases to monthly increases. The 1977/78 marketing year for dairy products and cattle begins May 1; it begins November 1 for pork, olive oil, and soybeans; July 1 for sugar and rapeseed; Aug. 1 for grain; Sept. 1 for rice; Oct. 1 for sunflowerseed. In earlier years beginning dates of some marketing seasons varied slightly from those shown here. Because of the devaluation of the green rates, in terms of French francs and Italian lire this price is higher than in 1976/77. Not applicable. These are prices in effect during the last 6 and one-half months of the marketing year. In the first 5 and one-half months the target price of milk was 149.20 u.a. In 1975/76 and 162.90 u.a. in 1976/77. 5The guide, or orientation, price for beef is used to determine the level at which support measures are taken. The basic price for pork is also used for this purpose.

EC Support Prices[1] for Selected Agricultural Products, 1973/74-1977/78

Commodity	1973/74	1974/75 Through 10/6/74	1974/75 From 10/7/74 through end of marketing year	1975/76	1976/77	1977/78	Increase from 1976/77 to 1977/78
	U.A. per MT	U.A. per MT	U.A. per MT	U.A. per MT	U.A. per MT	U.A. per MT	U.A. per MT
Soft wheat							
All soft wheat	105.80	110.03	115.53	125.93	(2)	(2)	(2)
Quality wheat	(2)	(2)	(2)	(2)	131.00	[3]135.59	(2)
Feed wheat	(2)	(2)	(2)	(2)	116.00	120.06	3.5
Durum wheat	118.10	166.83	175.17	190.53	202.00	203.01	.05
Corn	84.08	89.55	94.03	103.43	112.20	118.03	5.2
Barley	96.66	96.60	101.43	110.96	116.00	120.06	3.5
Rye	97.92	101.84	106.93	119.76	124.00	128.96	4.0
Rice, paddy	131.30	136.55	143.40	154.87	164.16	171.55	4.5
Sugar, white	235.70	252.20	264.80	304.50	331.40	346.00	4.4
Sugarbeet, minimum price[4]	17.86	18.84	19.78	22.75	24.57	25.43	3.5
Olive oil	877.50	877.50	946.10	1,427.10	1,376.40	[5]1,346.20	[5]-2.2
Rapeseed	204.50	212.70	223.30	247.90	267.70	277.10	3.5
Sunflowerseed	206.50	218.90	229.80	257.40	278.00	298.90	7.5
Butter	1,760.00	1,760.00	1,835.80	[6]2,095.80	[6]2,238.00	2,309.50	3.2
Nonfat dry milk	660.00	790.00	827.40	887.00	[5]913.70	940.90	3.0
Beef cattle, live weight[7]	801.66	897.45	942.36	994.19	1,068.66	1,106.10	3.5

1Termed intervention prices—the level at which the EC makes purchases to provide price protection to EC farmers. Also, see footnotes 1 and 4, table above. 2Not applicable. 3Reference price. Support buying at the reference price level occurs only during the first 3 months of the marketing year and, if necessary, during the last 3. For the rest of the year other means are used. See text. 4The minimum price refiners must meet in their contracts with growers—applies to within quota production. 5Because of the devaluation of the green rates, in terms of French francs and Italian lire this price is higher than in 1976/77. 6These are prices in effect during the last 6 and one-half months of the marketing year. In the first 5 and one-half months the support price of butter was 1,946.30 u.a. in 1975/76 and 2,180.00 u.a. in 1976/77. The support price of nonfat dry milk was 901.60 u.a. in the first part of 1976/77. 7Calculated at 90 percent of the orientation price for 1977/78 and 1976/77, 90.43 percent in 1975/76, and 93 percent in previous years.

import levies and export subsidies for West Germany and the Benelux countries, or subtracted from the import levies and export subsidies for France, Italy, the United Kingdom, and Ireland. Levies and subsidies are adjusted by a derived monetary coefficient related to the level of the MCA's.

The green rates in effect during 1977/78 represent a modest step toward the restoration of uniform agricultural prices within the EC, since the discrepancies between green rates and market rates will be narrowed somewhat.

MCA expenditures as subsidies have far exceeded MCA collections as taxes, and this situation has created serious concern in the EC. Various methods for eliminating or at least reducing the MCA's are under active consideration by the EC.

Governments of EC member countries predictably expressed general satisfaction with the 1977/78 price package, each claiming that the interests of their respective countries had been adequately taken into account

On the other hand, representatives of nearly all major farm organizations complained that the increases were not high enough.

The Association of Agricultural Organizations in the EC (COPA) has indicated it may demand a midyear price review. A midyear review has been granted only once—for 1974/75.

COPA also wants stronger intervention measures for soft milling wheat, a higher production fee for high-fructose corn syrup, and strict application of EC preferences for wine, tobacco, olive oil, and fruits and vegetables, especially as regard the non-EC Mediterranean countries.

COPA opposes the co-responsibility fee on milk, and seeks a stronger voice in the management of market regulations by the CAP. ☐

New FAS Administrator Says Export Challenge Growing

Thomas R. Hughes, appointed Administrator of the Foreign Agricultural Service by Secretary Bob Bergland, has worked with Federal and State Governments most of his career.

From 1969 until becoming FAS Administrator, he was Washington, D.C., consultant for the State of Minnesota and the Texas Department of Agriculture. Prior to that, he was executive assistant to Orville L. Freeman during Mr. Freeman's tenures as Governor of Minnesota from 1955-60 and as U.S. Secretary of Agriculture from 1961 to 1969.

Mr. Hughes, who is 51, is a native of Hudson, Wisconsin, and attended Macalaster College in St. Paul and the University of Minnesota in Minneapolis before serving in the U.S. Army from 1950 to 1952.

Thomas R. Hughes, Administrator of the Foreign Agricultural Service, told FAS cooperator group representatives that market development challenges continue to grow, even as agriculture exports continue to break records. Mr. Hughes, who was appointed Administrator early in July, made the statement in brief remarks at an Agricultural Cooperator Council Seminar in Washington July 21. Excerpts follow:

All of us are aware that the challenges in agricultural market development are growing rather than receding, even as we move from one export record to another, which we are going to do again this year.

It is clear from the national balance of trade position that this country is going to have to export more, or import less—which I do not think we are prepared to do. Agriculture will have to do its part in this, and the grain situation adds urgency to the agricultural effort.

At the same time, competition is encroaching on established U.S. agricultural markets, while new markets demand attention. We need, in effect, to cover our flanks while advancing into new territory. These new markets should be developed, and they will be developed—by somebody else in not by us. With so much to do, and limited funds with which to do it, we face some tough decisions on what and how much of our market development resources to put where.

In studying past agency budgets, I have been pleased to see that cooperator contributions have increased. This has been important in continuing the level of market development work that was under way when the overseas inflation crunch took hold, and it will be important in executing plans for the future. A successful program will depend on continuing maximum participation from you as cooperators.

We have been able to do some things to prepare for the shift in emphasis toward new markets in Eastern Europe and developing countries in other regions.

The U.S. Agricultural Attaché post in Cairo was opened a year ago; we expect to station an Attaché in East Berlin after the first of the year, and we have expanded our coverage of some East-European countries from existing posts.

We are planning for much closer coordination between the Foreign Agricultural Service and the Office of the General Sales Manager than in the past.

Much remains to be done. One thing I have learned in these early weeks in FAS is that the export selling job for U.S. agriculture in today's market is going to require more savvy, more work, and more cooperation than it ever has before. □

Belt Tightening Gives New Look To U.K. Farm Imports

Scene at one of the three U.S. Foodex shows held last year in Liverpool, Glasgow, and Newcastle.

Shrinking incomes are sending the British back to basics in an economy drive that has U.K. food importers looking for budget-stretching products, according to Gerald W. Shelden, Assistant U.S. Agricultural Attaché for Market Development, London, in a recent interview with *Foreign Agriculture*.

So far, this belt-tightening has not reduced the value of U.S. farm exports to the United Kingdom of around $750 million a year, since prices have been relatively high. But it is moderating growth in that trade and altering the import makeup.

The United Kingdom this year has had an inflation rate of about 16 percent, which is down considerably from the 27 percent of last year but outstrips wage gains permitted under the country's current austerity program.

"Their standard of living is dropping, and food is one place where the consumer can save by buying cheaper products and not eating out as much," said Shelden. "As a result, some of the things we've been selling to the United Kingdom are starting to show a decrease . . . our job is to find products with growth patterns."

One of these growth areas is the so-called cost-catering market, which encompasses the inexpensive cafeterias and restaurants run by industries and the Government. Such buyers generally look for the low-cost product. However, they will pay more for certain convenience items, such as the boneless turkey breast that is more expensive than roast turkey because it is waste free, easy to prepare, and has a readily calculated cost per serving.

These institutional buyers —and homemakers, as well —also are looking at textured vegetable protein, with its high protein level, low cost, and multifaceted uses. "The textured vegetable protein can be worked into meals and maintain protein quality at a low price, so we've had a real growth in sales to the United Kingdom," Shelden explained.

He said that eight U.S. protein companies are now selling in the United Kingdom and use of soy protein there is probably up to 20,000 tons a year. Although a far cry from the 600,000 tons of soybeans imported each year, this is a considerable improvement over the almost nonexistent market of a few years back. And it is an area marked for further strong growth.

In the market for U.S. soybeans—last year a 1-million-ton, $78-million business—the American Soybean Association (ASA) and the Attaché's office are working on developing increased sales of identified soy oil. Soybean oil accounts for about 62 percent of U.S. edible oil use, whereas in the United Kingdom, the figure is only 18 percent, "so there's a huge area for growth," Shelden said.

Currently, homegrown rapeseed, fish oils, and imported palm oil are the main constituents of U.K. table oils, in part because of traditional production patterns and, in part, because soy oil formulations as yet do not appeal to the British taste. As a result, ASA has launched a project to develop formulations better suited to the British market.

Then there are California fruits and vegetables, with their "tremendous image" in the United Kingdom. "During April and May, the only carrots in London supermarkets were California carrots," said Shelden. And a major exporter of oranges and grapefruit expects to sell 2 million cartons of citrus fruit in the United Kingdom

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By Beverly Horsley, Associate Editor, Foreign Agriculture.

this year, compared with 200,000 cartons 4 years ago and the exporter's anticipated total export this year of 10 million.

These and other U.S. fruits and vegetables benefit both from their high quality and availability during the late spring and early summer, when few competitors are in the market.

Regarding processed foods, Shelden said: "There will always be a good market for canned fruit if we can be price competitive." Frozen products, on the other hand, are gaining in importance as consumers opt for easy-to-prepare foods and increase their freezer space accordingly—only 3 percent of the population had freezers 10 years ago, compared with 25 percent currently owned.

"Frozen food centers are going up all over the country, where housewives are buying 2- and 5-pound packages of vegetables and meat dishes," said Shelden.

He added that American products are gaining as a result of this trend since the United Kingdom cannot produce enough domestically. Last year, for instance, there was a big market for U.S. french fried potatoes because drought in the United Kingdom reduced potato supplies. Traditionally, imports of potatoes have been restricted by rigid phytosanitary regulations.

But the United Kingdom also has a highly competitive food-processing industry of its own, and will duplicate any U.S. product that enjoys wide popular appeal. "If we bring over frozen pizzas, and can develop a market for them, then some British food processor will start making these pizzas under license."

Partly as a result of such developments, U.S. exporters have taken to shipping some rather unique unprocessed or semiprocessed products to the United Kingdom. Among these are frozen cranberries for use in sauces, juice, and other products, some of which are even reexported to other European countries; frozen blueberries used to make American-style miniature blueberry pies; and brown parboiled rice that is milled in the United Kingdom, and sold as "American."

Such export shifts also are being made in response to stiffening European Community regulations that are shutting out some traditional U.S. exports.

A case in point is U.S. tobacco, which will be increasingly hard put to retain its U.K. market—worth about $100 million in 1976. Combining to squeeze this product out of the market are high excise taxes and stiffening health regulations intended to curb cigarette smoking, plus EC preferences on tobacco from associate members and developing countries. "These tobaccos are coming in at lower rates of duty than U.S. tobacco, so we're losing the market on a price basis," Shelden explained. □

Getting Into the U.S. Farm Market?—FAS Can Help

U.S. exporters need to be flexible and open to new ideas if they are to maintain a footing in the United Kingdom—last year about the 11th largest U.S. farm market, despite waning prospects for some products and changing consumer requirements. To aid exporters in keeping abreast of these changes and gaining entry into the British market, Foreign Agricultural Service is cooperating there in the most far-reaching market development effort outside of Japan—the No. 1 U.S. farm market.

For instance, about 15 of the industry groups that participate in the FAS overseas market development program have projects underway in the United Kingdom, and several of these groups also have offices in London. Their activities range from feeding trials showing how certain rations can produce faster weight gain and better quality meat from hogs, sheep, beef, and dairy cattle; to technical assistance for millers and bakers who use imported U.S. hard wheat and for bean processing companies; to point-of-purchase promotions and advertising assistance for U.S. cotton, poultry, and red meat, fruits and vegetables, and other products.

In addition, the U.S. Market Developement Services Office in the Office of the U.S. Agricultural Attache, London, offers extensive help in getting new products into the market. This office will:

- Prepare for the U.S. food exporter a marketing plan for introducing and promoting the product;
- Have the product reviewed to make sure it complies with U.S. trade requirements and tested by a taste panel to determine whether it suits British requirements;
- Provide the exporter with information on British tariffs, health regulations, and other requirements that might affect the product's entry;
- Develop a list of trade contacts; and
- Arrange for a trade reception, where the products can be exhibited and demonstrated.

These services culminate in the numerous point-of-purchase promotions and trade-only shows sponsored by FAS and cooperating industry groups in the United Kingdom. For instance, every other year, a large trade-only show is held in London, at which time new products and suppliers gain exposure to institutional buyers, wholesalers, agents, and others in the U.K. food trade.

The London show is followed by a series of traveling regional "Foodex" shows outside of the capital. Last year, these shows went to Liverpool, Glasgow, and Newcastle; this fall, they will be at Solihull (West Midlands), Bristol, and Heathrow; and next fall, in Edinborough, Leeds, and Norwich.

Nineteen such shows have been put on since the program was launched in 1971, introducing the British trade and, ultimately, the consumer, to such varied U.S. products as frozen pizza, shark steaks, wild rice, maple sirup, marinated mushrooms, turkey "pastrami" and "salami," high energy and dietetic foods, textured vegetable protein, and a long list of fresh and processed fruits and vegetables.

Additional information on these services may be obtained from the Export Trade Services Division, FAS, U.S. Department of Agriculture, Washington, D.C., 20250, or the U.S. Agricultural Attaché, U.S. Embassy, 24/31 Grosvenor Square, London w1, England. □

Soybeans and Cotton Spark 9-Month Gain In U.S. Farm Exports

By Sally Breedlove Byrne

Boosted by increased volume and higher prices for soybeans and cotton exports, total value of U.S. agriculture exports during the first 9 months of fiscal 1977 (October 1976-June 1977) reached $19 billion, up from $17.4 billion a year earlier.

Other major growth commodities were animal and vegetable fats and oils, feeds, hides, and vegetables.

On the other hand, grain prices were lower and wheat export volume was down sharply from year-earlier levels. Tobacco shipments declined marginally, in volume but increased about 6 percent in value.

U.S. agricultural imports during October-June rose from $7.7 billion to $10.3 billion, shrinking the agricultural trade surplus for the 9 months from $9.7 billion to $8.6 billion. The total U.S. trade balance was a $15.6 billion deficit, compared with a $2.3 billion surplus during the year-earlier period.

The 34 percent increase in U.S. agricultural imports is attributed almost entirely to sharply higher prices of coffee and other tropical products.

Green coffee imports were down 8 percent in volume, but the unit value averged $3.91 per kilogram, compared with $1.68 a year earlier. The import unit value for tea was up 70 percent.

Meat imports during October-June were down 10 percent. Vegetable oil imports dropped 12 percent in volume, but the unit value averaged 32 percent higher. Sugar imports were 18 percent above the year-earlier volume, but the unit value dropped 38 percent.

As livestock industries strengthen with the growth in the world economy, U.S. soybean exports were up 4 percent in volume from the year-earlier level, despite the 18 percent smaller U.S. crop and sharply higher prices. The export unit value averaged $284 per ton, up from $196 a year earlier.

Japan increased its imports of U.S. soybeans slightly, but shipments to the European Community (EC) dropped marginally. Exports were down 11 percent to Taiwan and 17 percent to Spain.

U.S. soybean exports to the developing countries as a group were up 31 percent in volume. Shipments to the USSR totaled 825,000 tons, up from 310,000 during the year-earlier period.

U.S. exports of oilcake and meal were lower during October-June. Most of the decline resulted from reduced shipments to the EC, Eastern Europe, and Spain. Because of changed price relationships between soybeans and meal, Japan's imports of U.S. meal expanded greatly from a relatively small base.

Exports of vegetable oils were up 28 percent in volume and 37 percent in value during October-June. Soybean oil exports were up 79 percent in volume. Vegetable oil exports to Iran were dramatically higher than those of a year earlier, and shipments to Egypt and Latin America increased.

U.S. cotton exports recovered strongly from last year's depressed level. The unit value was up 31 percent to $335 per bale.

Export expansion was widespread, with shipments sharply higher to Canada and Western Europe as well as to Japan and several Southeast Asian countries. Exports to India totaled 262,000 bales and to Egypt, 110,000 bales. U.S. cotton exports to Korea and Taiwan rose only marginally.

In the face of the record world wheat crop and declining world trade, U.S. wheat exports dropped markedly during October-June to the lowest level since October 1971-June 1972. The average unit value was a fifth below the year-earlier level. The unit value declined through the 9-month period, reaching $117 per ton in June.

U.S. wheat exports fell sharply to Latin America, South Asia, and the EC. Shipments dropped slightly to Japan, East Asia, and the USSR. However, Egypt and Nigeria imported more U.S. wheat, and Iranian imports jumped 946,000 tons, compared with 51,000 tons a year earlier.

U.S. feedgrain exports increased in volume during October-June, although the unit value fell from $120 per ton to $110. A drop in shipments to the Soviet Union from 9.2 million tons to 2.8 million tons was offset by substantial increases in shipments to other markets.

Last summer's drought in the EC and recovery in the livestock industry boosted exports to the EC 47 percent to 15.2 million tons. Exports to Japan were up 36 percent in volume, and outstandinng gains also were recorded in shipments to Korea, Taiwan, and Portugal.

Rice exports during October-June rebounded well from last year's reduced volume. The recovery was a result of sharply higher exports to Indonesia—whose 1976 rice crop was severely damaged by poor weather—Iran, and Nigeria, which continue to benefit from high petroleum revenues.

Rice shipments were substantially lower during October-June to four major markets for U.S. rice—Korea, Bangladesh, Saudi Arabia, and Italy.

U.S. tobacco exports were marginally below the year-earlier volume during October-June. Exports of flue-cured, burley, darkfired, cigar wrapper, and bulk smoking tobaccos declined.

Shipments to the two largest U.S. markets—Japan and the United Kingdom—dropped by 16 and 32 percent, respectively. Higher taxes on tobacco are discouraging consumption and because U.S. tobacco is more expensive than competing supplies, it is affected more severely.

Shipments to West Germany increased 16 percent and those to Italy by 13 percent. Exports to the developing countries rose 18

Ms. Byrne is an economist with the Foreign Demand and Competition Division, Economic Research Service.

U.S. Agricultural Exports: Value By Commodity, October-June 1973-76

Commodity	1973/74	1974/75	1975/76	1976/77	1976/77
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent change*
Animal and animal products					
Dairy products	52	116	92	122	+ 32
Fats, oils, and greases	420	343	299	419	+ 40
Hides and skins, excl. furskins	378	323	480	636	+ 32
Meats and meat products	246	264	455	453	—
Poultry and poultry products	112	101	165	215	+ 30
Other	214	153	161	136	-16
Total animals and products	1,422	1,300	1,652	1,981	+ 20
Grains and preparations					
Feedgrains and products	3,564	3,897	4,634	4,320	-7
Rice	659	822	421	481	+ 14
Wheat and major products	3,484	3,832	3,516	2,189	-38
Other	110	95	110	112	+ 2
Total grains and preparations	7,817	8,646	8,681	7,102	-18
Oilseeds and products					
Cottonseed and soybean oil	371	534	259	456	+ 76
Soybeans	2,998	2,457	2,547	3,836	+ 55
Protein meal	926	559	631	787	+ 25
Other	337	382	384	405	+ 5
Total oilseeds and products	4,632	3,932	3,821	5,484	+ 44
Other products and preparations					
Cotton, excluding linters	1,134	800	629	1,302	+ 107
Tobacco, unmanufactured	652	736	756	799	+ 6
Fruits and preparations	448	486	541	571	+ 5
Nuts and preparations	142	128	140	171	+ 22
Vegetables and preparations	328	446	468	571	+ 22
Other	567	638	717	1,008	+ 41
Total products andpreparations	3,271	3,234	3,251	4,422	+ 36
Total	17,142	17,112	17,405	18,989	+ 9

U.S. Agricultural Exports: Volume by Commodity, October-June 1973-76

Commodity	1973/74	1974/75	1975/76	1976/77	1976/77
	1,000 MT	*1,000 MT*	*1,000 MT*	*1,000 MT*	*Percent change*
Wheat and products	20,474	20,971	22,252	17,226	-23
Feedgrains and products	31,974	27,301	38,608	39,274	+ 2
Rice	1,329	1,928	1,298	1,565	+ 21
Soybeans	13,155	9,072	12,990	13,514	+ 4
Oilmeal	4,262	3,208	4,027	3,545	-12
Vegetable oils	832	843	744	941	+ 26
Cotton, excluding linters	1,095	684	526	838	+ 59
Tobacco	248	224	223	220	-1
Total	73,369	64,231	80,668	77,123	-4

U.S. Agricultural Exports: Value by Region, October-June 1973-76

Region [1]	1973/74	1974/75	1975/76	1976/77	1976/77
	Mil. dol.	*Mil. dol.*	*Mil. dol.*	*Mil. dol.*	*Percent change*
Western Europe	5,584	5,735	5,718	7,287	+ 27
European Community	4,353	4,332	4,561	5,939	+ 30
Other Western Europe	1,231	1,403	1,157	1,348	+ 17
U.S.S.R	311	364	1,630	966	-41
Eastern Europe	589	499	622	505	-19
Asia	6,305	6,278	5,454	6,276	+ 15
West Asia	639	1,268	591	814	+ 38
South Asia	482	921	820	560	-32
East and Southeast Asia[2]	1,883	1,506	1,471	1,847	+ 26
Japan	2,694	2,483	2,570	3,054	+ 19
People's Republic of China	608	101	2	(3)	—
North Africa	515	617	522	561	+ 7
Other Africa	324	298	298	404	+ 36
Latin America	1,963	1,844	1,624	1,434	-12
Canada	963	988	1,067	1,233	+ 18
Oceania	12	87	86	102	+ 18
Canadian transshipments	476	403	385	222	-42
Total	7,142	17,112	17,405	18,989	+ 9

[1]Not adjusted for transshipments. [2]Excluding Japan and PRC. [3]$12,000.

percent, with Iran, Egypt, and Thailand scoring substantial increases.

U.S. exports of animals and animal products jumped 20 percent in value during October-June, with marked increases for fats and greases, hides, poultry meat, and nonfat dry milk.

U.S. exports of animal fats—principally inedible tallow—were up 36 percent in volume during October-June. Shipments to the EC were more than double the year-earlier volume, and those to Mexico, Korea, and Japan were substantially higher. Animal fat exports to Egypt dropped 27 percent.

More cattle hides were exported—and at higher prices—than in the year-earlier period. Prices also were higher for other hides and furskins. The value of hide and skin exports was higher to Japan, Korea, West Germany, and Italy.

U.S. chicken meat exports were up 54 percent in volume during October-June. Shipments rose sharply to Japan, Iraq, Hong Kong, and Singapore. The USSR imported 6,300 tons of chicken meat from the United States.

U.S. exports of fresh and processed fruits rose 5 percent in value during October-June. Increases of 9 percent to Canada and 7 percent to Japan were recorded. Together, these two countries take more than half of U.S. fruit exports.

Exports of fresh, preserved, and processed vegetables and pulses increased 22 percent in value. Export value was up 15 percent to Canada, 40 percent to Japan, and 38 percent to Western Europe.

U.S. exports of prepared animal feeds and fodders gained 75 percent in value to $473 million during the first 9 months of the fiscal year. The Netherlands accounted for more than half of the increase, and shipments were up sharply to West Germany and Japan. □

Syria To Import Oilseeds, Despite Boost in Output

Despite a push to boost oilseed production on irrigated land, Syrian edible oil consumption continues to outpace production, and Syria will again have to import vegetable oils in 1977. Syria wants to scale down its imports of vegetable oils and is encouraging farmers to undertake production of soybeans. However, it is unlikely output will reach a level high enough to seriously cut into such purchases for some years to come.

Since 1975, Syria has been forced to import vegetable oils and in 1976 bought 5,000 tons of U.S. soybean oil under Title I, P.L. 480. That country may again import up to 5,000 tons of edible vegetable oils in 1977, and again the United States will be an important supplier.

Syria's most important oilseed crop is cottonseed, while olives are the major source of salad oil. Cottonseed oil is under Government control; olive oil is handled by the private trade. The outlook for the 1977 crops of cotton and olives is favorable, but production of cottonseed and olive oils will only partially meet requirements.

Based on report from Shackford Pitcher, U.S. Agricultural Attaché, Damascus

Syria's 1977 cotton area is forecast at 175,000 hectares of which 165,000 will be irrigated, about the same as in 1976. Total area is expected to be down slightly. Yields are believed to be higher than usual, however, and 1977 production is set at 147,000 metric tons (675,000 480-lb bales) of lint cotton, compared with an estimated 156,000 tons (715,000 bales) in 1976.

Some 212,000 tons of cottonseed are expected to be crushed during the 1976/77 season, which started in September 1976. The volume of 1976/77 cottonseed available for crushing is about the same as in the previous year, but the 1977/78 volume is expected to be 8 percent less.

Since most of Syria's cotton is grown on irrigated land, the Government's 1975 policy requiring farmers to double crop such land puts cotton in competition with other irrigated crops, some of which are grown for immediate cash returns. This policy sometimes works against cotton.

Irrigated cotton acreage has been declining at a rate of about 3 percent a year, and it appears likely that land being developed in the Euphrates Basin will not add significantly to the watered-land total for some years. Thus, irrigated cotton area is expected to remain stable or drop slightly in the next few years, and rise slowly thereafter.

The Syrian Government has not yet released an official olive-crop production estimate for 1976, but farmers indicate the crop was a good one. According to the Government, the 1975 olive crop totaled 156,865 tons, of which 133,121 tons were pressed for oil and 23,744 tons used for fresh consumption.

The 1975 area planted to olives was reportedly 183,126 hectares, 97 percent of which was unirrigated. The Ministry of Agriculture estimates that 75 percent of the country's 20.9 million olive trees were bearing.

Olive acreage is up sharply from totals of the early 1970's, and it is continuing to grow. Acreage in 1976 is estimated at about 186,000 hectares. Last year's outturn is unofficially estimated at 215,000 tons, the same as in 1974.

Rainfall in the 1976/77 season has been favorable in the major olive-growing districts in the northwest Provinces of Tartous, Idleb, Aleppo, and Lattakia, strengthening the promise of a sizable crop.

The country's olive crop is crushed in private mills or in one of four Government-owned mills. In 1975, there were 905 olive presses, of which 540 were mechanically operated, the rest animal-driven.

There is little reliable data about olive oil production since most of it is marketed by the private sector, and Government agencies—otherwise knowledgeable about vegetable oil supplies—do not keep olive oil supply and distribution data. However, based on unofficial sources, 1976/77 olive oil output is estimated at 43,750 tons.

Soybeans are a new crop in Syria. Most farmers planted them for the first time last year in plots of 0.1-0.2 hectare, and 1976 production will probably total no more than 500 metric tons. A number of Syrian Government agencies were involved in the soybean program.

These included the General Organization of Food Industries, which had overall supervision; the Syrian Company for Cottonseed Oil, which signed production contracts with farmers; the General Establishment for Cereal Processing and Trade, which imported 170 tons of soybean seed; and the Ministry of Agriculture and Agrarian Reform, which determined the soybean varieties most suitable for Syria.

In addition, farmers received fertilizer and other inputs through the Agricultural Cooperative Bank, which also provides production loans.

The Government is trying to build farmer interest in soybean production by announcing it will grant incentives to those who undertake to mechanize their operations. And since much of the same equipment can be used to plant wheat, soybean output undoubtedly will rise, provided the Government carries out its announced plans.

For the time being, however, price will be the most important incentive to encourage farmers to grow soybeans. The purchase price for 1977 crop production has been set at $384.60 per ton, and Government plans call for a soybean area of 3,800

hectares this year, half of it irrigated.

Being particularly interested in having soybeans planted as a second crop after winter grains and pulses are harvested, Government officials responsible for seed-procurement are seeking an early maturing variety. If such a variety cannot be located or developed quickly, soybeans will be grown as a main crop on irrigated land in competition with cotton, which normally utilizes over one-third of the irrigated area.

Soybeans will also vie with such crops as tomatoes, corn, peanuts, cucumbers, sugarbeets, potatoes, onions, and a number of other vegetables.

Official data for 1975 indicated that peanut area in that year was more or less stable, but somewhat smaller for sesame and sunflowerseed. Sesame area for 1976 is estimated at about 32,000 hectares, with 1977 total remaining unchanged. Yields are expected to be the same for both years—about 425 kilograms per hectare. Rain in the areas in which these seeds are grown was satisfactory in 1976 and the outlook for 1977 continues good.

The 1975 peanut crop of 20,875 tons, from 12,593 hectares, was slightly higher than the 19,630 tons of 1974. Peanut area in 1976 is estimated at approximately 12,600 hectares. Assuming a more nearly normal average yield of 1.9 tons per hectare, the 1976 crop is estimated at around 24,000 tons. The forecasts for 1977 area and production remain at about the same levels.

Sunflowerseed area increased from a mere 103 hectares 10 years ago to nearly 3,100 hectares in 1975, while production rose from 141 tons to 3,459 tons in the same period. The 1976 sunflower area is estimated at some 3,100 hectares and production at about 3,500 tons; 1977's area and outturn are expected to be about the same. Most of Syria's peanuts and sunflowerseed is used for confectioneries.

Syria's current 5-year plan (1976-80) apparently calls for soybean production to reach around 50,000 tons by 1980 and sunflowerseed output around 10,000. But judging from the 1977 agricultural plan, which calls for soybean area of only 3,800 hectares, it seems likely the 50,000-ton production level may be difficult, if not impossible, to achieve.

A report issued by the Ministry of Supply and Internal Trade indicates that hydrogenated oils produced from cottonseed and other vegetable oil sources were 5,735 tons in 1975, while 1976 and 1977 requirements are estimated at 9,600 tons for hydrogenated cottonseed oil and 8,000 tons for other vegetable shortenings. The report also estimated the vegetable shortening industry demand for coconut oil for 1977 at 2,000-2,500 tons. In 1976, coconut oil imports totaled 1,641 tons.

According to Syrian press reports, the Government has included in its 5-year plan provisions for construction of a new vegetable oil mill in Der-el-Zor in northeastern Syria. In addition, the expansion of a mill in the existing Aleppo complex to include solvent processing facilities is reported nearing completion.

A preliminary report, based on a March 1977 visit to Syria by an American Soybean Association expert, calls for greater use of solvent extraction to minimize oil losses, conversion of present facilities to bulk handling procedures, increasing processing facility flexibility, and boosting the number of oilseed varieties that can be processed. □

UNCTAD Vegetable Oil Meeting Sets Priorities

Improved market access for developing countries headed the agenda of the first United Nations Conference on Trade and Development (UNCTAD) preparatory meeting[1] on vegetable oils and oilseeds.

The meeting in Geneva also recommended that efforts through appropriate forums be made to eliminate or progressively reduce existing tariff and nontariff barriers as well as to extend and improve the Generalized System of Preferences (GSP).

Members from more than 50 countries participated in the June 27-July 1 conference, which was chaired by the United States at the request of producer groups from developing countries. As a major consumer, the European Community—through its Danish representative—served as vice chairman. Brazil was spokesman for the producer group. A second session is scheduled for February 13-17, 1978.

The UNCTAD Secretariat, in cooperation with the United Nations' Food and Agriculture Organization, was requested to prepare further analysis and background material to include indentification of relevant products, substitutability and interchangeability, cross elasticities, perishability, storability, trade, changes and adequacy of stocks, infrastructure analysis, including storage and processing facilities, national stocking policies, supply-demand outlook through 1985, and stability/instability of volume and prices.

In addition, the second preparatory session in February will consider and make recommendations on the following:

- Improved operations of national stocking and storage policies and practices for major oilseeds and oils. This would also include financial and technical assistance required to establish and improve storage facilities as well as creating more effective stocking policies in developing countries:
- Feasibility of national stocks operations, internationally coordinated or otherwise, for vegetable oils and oilseed products to reduce market instability and to improve export earnings of developing countries;
- Promotion of purchases from exporting developing countries for delivery to net importing developing countries;
- Role of compensatory financing arrangements to help stabilize export earnings of oilseeds and products of developing countries;
- Role of research and development, and better market intelligence to increase export earnings and to improve the competitiveness of developing countries' oilseeds products;
- Analysis of the infrastructure of the vegetable oil processing industry in developing countries as well as factors affecting the location of processing facilities and its effect on export earnings. □

[1] The UNCTAD Preparatory Meeting on Vegetable Oils and Oilseeds was convened pursuant to Conference Resolution 93 (IV) on the integrated Programs for Commodities.

U.S. Food Exhibits In Cairo, Tehran Log "Million Dollar" Sales

By Marvin L. Lehrer

The first U.S. food and agricultural product exhibitions in Egypt and Iran produced floor sales of $1.6 million. The exhibitions, involving more than 50 U.S. companies and 400 product lines, are expected to reap $7 million in sales within a year's time.

These trade-only "U.S. Food Products Exhibits," sponsored by the Foreign Agricultural Service, generated floor sales of more than $700,000 at the Hotel Meridien in Cairo (May 21-24) and nearly $900,000 at the U.S. Trade Center in Tehran (May 31-June 2). Twelve-month food sales are expected to reach $3 million in Egypt and $4 million in Iran. In addition, a number of agents were appointed in both countries, with more appointments expected by year's end.

Although sales exceeded expectations, perhaps of more lasting importance to the future of U.S. trade in this area was the presence of 40 U.S. businessmen, displaying their products. Personal attendance at these shows not only enabled these U.S. exhibitors to gain valuable first-hand knowledge of these difficult markets, but permitted them to meet their local counterparts.

More than in many other countries, businessmen in Egypt and Iran still prefer to conduct business in person—and with people they know. U.S. exhibitors also took advantage of their stay in the Middle East by visiting Kuwait, Saudi Arabia, Bahrain, and other nearby countries.

The reception-buffet, held the first night before the opening of the exhibitions in each city, received an enthusiastic response. To a great extent, U.S. food samples of each exhibitor were used for the buffet.

The food exhibits in both Cairo and Tehran attracted more than 1,000 persons, including Government buyers, private sector food importers, local supermarket purveyors as well as hotel, restaurant, and institutional tradesmen. Representatives from other Middle East countries also attended.

All food products exhibited drew attention, several of them in particular. In Cairo, they were: Canned poultry and beef, soy protein products, processed egg products, full-line canned grocery items, edible oils, pulses, canned ration foods, and snack items. In Tehran: Frozen potato and vegetable products, processed meats, canned grocery items, military ration foods, edible oils, pulses, candies, snack foods, and specialty products. New-to-market products were of particular interest to the trade.

In addition to discussions with local businessmen at the shows, the U.S. tradesmen attended a market seminar, hosted by U.S. Agricultural Attachés H. Reiter Webb in Cairo and Paul J. Ferree in Tehran.

Among the topics discussed by a panel at each seminar were market conditions, distribution channels, third-country competition, local supply, and pricing. At each city, the panel consisted of the Attaché, commercial representatives of the U.S. Government, and local Government officials and businessmen.

Executives of a large U.S. transportation firm discussed port congestion in the Persian Gulf—and alternative methods of product movement.

Business in Egypt and Iran has many similarities. Both markets are still strongly controlled by the Government, either as a purchaser or through licensing and regulations. The respective Governments, however, are moving toward a relaxation of these controls.

In Egypt, renewed friendship with the West has opened up private sector trading and desire on the part of importers to aline themselves with supply channels. In Iran, as consumer tastes become more Westernized and the country's educational system produces more managers, the Government is permitting more private trading, particularly in sophisticated foods and "luxury" food items.

When doing business in these markets, keep in mind that:

• Most importers are price conscious. They tend to buy at the lowest possible price from any source;

• Local traders seem to know their own markets, but have little knowledge of global market conditions;

• Appointment of agents can be of great benefit, but this must be handled with caution.

After the Tehran exhibit closed, FAS—in cooperation with the Atlantic International Marketing Association (AIM)—sponsored a visit by a six-member sales team to Kuwait (June 4-5) and to Bahrain (June 6-8). Members of the team, selected from those attending the Cairo and Tehran shows, represented U.S. companies located in the AIM region of Virginia, Maryland, North and South Carolina, and Georgia. AIM was organized to promote agricultural exports.

As a result of the teams's visit, immediate sales amounted to $500,000 in Kuwait and $175,000 in Bahrain. Sales projections for the next 12 months are placed at over $1 million in Kuwait and at $300,000 in Bahrain. □

Mr Lehrer is an economist with Export Trade Services Division, FAS.

Scenes from the U.S. food show in Cairo. Top: Saudi Arabian traders discuss U.S. poultry products. Middle: Show manager Edward Collins, Export Trade Services Division, FAS, inspects opening night buffet offerings, prepared from exhibited U.S. food products. Bottom: U.S. exhibitor explains egg products.

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Coffee Producers React To Tumbling World Prices

The sharp fall in green coffee prices in the past 4 months from the mid-April peak has resulted in a number of actions be several producing countries, especially Brazil, in efforts to turn prices upward again.

The International Coffee Organization (ICO) composite price (based on four major growths) for green coffee averaged a record of $3.33 a pound, exdock, New York, in April 1977, up from $2.28 in January and $2.00 more than comparable prices a year earlier.

By mid-April, however, a large segment of the import trade had begun to withdraw from the market. Green coffee roastings were down, and consumption began its seasonal summer decline.

In addition, wholesale and retail outlets had above-normal inventories, and green coffee stocks in the hands of U.S. importers, roasters, and dealers were well above both 1976 yearend levels and year-earlier stocks. Also, the outlook was very favorable for a substantial improvement in the 1977/78 world coffee crop, now estimated at 70.4 million bags (60 kg), compared with the low 1976/77 output of 61.5 million bags. This rise is due mainly to the excellent recovery in Brazil's 1977/78 crop, estimated at 17 million bags. The frost-damaged 1976/77 outturn was only 9.5 million bags.

As a result, green coffee prices began to decline, dropping to an average (ICO composite) of $2.96 per pound in May, $2.70 in June, and $2.46 in July. Because the Brazilian Coffee Institute (IBC) has not lowered its minimum export price from $3.20 a pound, the actual decline in green prices has been more severe than indicated by the composite price. As of August 11, for example, Colombian and other Mild Arabica coffees were being offered at around $1.90-$2.10 a pound New York, or more than 40 percent below mid-April prices.

There probably will be some firming in green coffee prices again when importers reenter the market on a significant scale. When this will take place, or to what extent prices will rise, is difficult to forecast with any preciseness.

In addition to Brazil's holding its minimum export price will above current world market levels, thereby freezing sales, other export restraints have been taken by Brazil and several other producing countries including:

- Brazil has been buying, and is negotiating for the purchase of substantial additional quantities of green coffee from other producing countries. Although not officially confirmed, such purchases reportedly include some 300,000 bags of Central American coffee and 167,000 bags from Madagascar. Negotiations for additional purchases from the Ivory Coast and Indonesia have been reported.
- Brazil has indicated that it may limit its exports during the next 12 months to less than 800,000 bags a month (9.6 million bags during the year), purportedly to insure sufficient coffee for the domestic market.
- The Director of Mexico's Coffee Institute reportedly has said that Mexico will not sell its remaining coffee for export at current (August 1) prices.
- It has also been reported that the director of Ivory Coast's "Caisse de Stabilization" supports Brazil's coffee policy, repeating the Inter-African Coffee Organization (IACO) recommendation to its members not to sell Robusta coffee below $2.65 per pound.
- Of particular significance was the agreement by six Latin American countries during an August 5-7 meeting in Bogota to support the creation of an international "coffee fund," proposed by Mexico, for stabilizing prices at levels deemed equitable. Brazil promptly indicated it would also support Mexico's proposal. Reportedly, the plan calls for stockpiling coffee beans—retaining them when the price goes below a certain level and selling them when prices go above it.

The proposed coffee fund is expected to be discussed at the meeting of the ICO Executive Board in Nairobi, August 29-September 2, and during the ICO Council meeting in London, September 26-30. At the present time, export quotas under the ICO coffee agreement would not come into effect until the ICO composite price drops to 77 cents per pound. □

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